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*Ariba Special Edition*

# Collaborative Commerce

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## *Learn:*

- How to assess your business's commerce health
- How to buy, manage cash, and sell more efficiently and effectively
- The ins and outs of cloud computing and how it drives better commerce

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Ariba, Inc. is the leading provider of collaborative business commerce solutions. Ariba combines industry-leading software as a service (SaaS) technology to optimize the complete commerce lifecycle with the world's largest Web-based community to discover, connect, and collaborate with a global network of trading partners and expert capabilities. This partnership augments internal resources and skills, delivering everything needed to control costs, minimize risk, improve profits, and enhance cash flow and operations — all in a cloud-based environment.

For more information on Ariba commerce solutions and the results they deliver, visit [www.ariba.com](http://www.ariba.com).

# *Collaborative Commerce*

FOR

# DUMMIES®

ARIBA SPECIAL EDITION



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## Collaborative Commerce For Dummies®, Ariba Special Edition

Published by

**Wiley Publishing, Inc.**

111 River Street

Hoboken, NJ 07030-5774

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ISBN: 978-0-470-88891-9

Manufactured in the United States of America

10 9 8 7 6 5 4 3 2 1



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## Publisher's Acknowledgments

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# Introduction



**W**hy can you buy a book so easily on Amazon.com but find it so hard to source the goods and services you need to run your business? How can you manage your personal finances and pay your bills on time online yet have no idea what you're spending with whom, or when you'll get paid, at your company? Why do you know more about what your friends ate for lunch than the status of your key trading partners? Why is buying, selling, and managing cash in your personal life so easy yet business commerce so complex? Because personal commerce, by its nature, is collaborative. And while business commerce is intended to be collaborative, many barriers make it anything but.

*Collaborative Commerce For Dummies*, Ariba Special Edition, is designed to help you understand and overcome these barriers and give your business an advantage in today's increasingly complex global marketplace by making collaborative commerce a strategic capability.

## About This Book

*Collaborative Commerce For Dummies*, Ariba Special Edition, is a little book filled with a lot of information. While a comprehensive business book on commerce could easily fill hundreds of pages, this compressed edition is packed with essential information on one specific aspect of commerce: how using a cloud-based suite of applications and services integrated with a community of experts and trading partners can fuel the collaboration needed to improve your performance and profits.

## About Ariba

Just to let you know, the content in this book is based on information provided by the friendly folks at Ariba — the world's leading provider of collaborative business commerce

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solutions, which are used by more than 300,000 companies to control costs, increase sales, minimize risk, and optimize cash flow and operations.

Ariba's philosophy is that business commerce shouldn't be so hard. The company's goal is to make it as simple as personal commerce. When you buy personal items on eBay or Amazon.com, you don't have to think about how you're going to find, pay for, and receive them. You just click a few buttons, and they arrive on your doorstep. Ariba wants to facilitate the same seamless transactions between businesses by providing companies with all of the tools they need to buy, sell, and manage cash in a single, easy-to-access location — the cloud.

Ariba partnered with *For Dummies* to bring you a down-to-earth book that helps you understand what the cloud is and how using it to manage your commerce activities can make this vision a reality within your organization.

To find out more about Ariba, visit [www.ariba.com](http://www.ariba.com).

## ***Foolish Assumptions***

Before I get started, I made a few assumptions about you, the reader. Hopefully these assumptions aren't *too* foolish:

- ✔ You're a decision-maker (or opinion-contributor) for a business — a manager, a consultant, a staff-person, or something like that.
- ✔ Your business participates in business-to-business commerce as a buyer, a seller, or both.
- ✔ You have a basic understanding of how businesses buy and sell things.
- ✔ You know about the Internet and are familiar with things like Web sites and e-mail.
- ✔ You know, at least in a big picture way, how your business's current commerce procedures work.



## How This Book Is Organized

If you've read other *For Dummies* books, you should feel right at home in this one. It follows the same familiar and easy-to-navigate format and organization. This book is divided into four chapters. Chapter 1 covers some of the issues that make business commerce so complex, and you also get a view into a new breed of cloud-based solutions designed to make it easier. In Chapter 2, you take a deeper dive into the solutions from Chapter 1 and the value they can deliver.

Chapter 3 contains a series of quizzes and checklists you can use to determine whether you and your organization could benefit from tapping into the cloud. In Chapter 4, we tie it all up with a Top 10 list of things you need to know about collaborative commerce and the solutions needed to drive it.

## Icons Used in This Book

In the margins of this book, you'll find several helpful little icons that call out various tidbits. They include the following:



This icon clues you in to information that you should pay attention to.



A tip points to some practical information that can help you save time, effort, or money (and maybe even all three).



This icon points out pitfalls to avoid.



Information next to this icon can represent statistics or industry analytics and information. You can choose to skip it if you want, but you techies out there just may love it!



## Chapter 1

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# Business Commerce Is Hard

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### *In This Chapter*

- ▶ Knowing that technology isn't the only answer
  - ▶ Discovering that collaboration is vital
  - ▶ Looking into a better way
- 

**P**ersonal commerce is easy. Why? Because you don't have to think about it. When you buy a product online, you can find it, pay for it, and have it shipped to your home with a few clicks. You can even get recommendations for other items you may like based on your search criteria. All the tools you need are right there at your fingertips and completely managed for you. The process is beyond efficient.

Unfortunately, in the business world, commerce isn't so easy. Sure, on paper, business looks simple. You build a product or service at the lowest possible cost. You sell it at the best possible price. And you manage your cash so you can reinvest it in the growth of your business.

But in the real world, business is a lot tougher. For companies like yours, buying, selling, and managing cash is an array of complex and often disconnected processes involving dozens of interactions between multiple functions both within and outside your company — from internal functions, such as Procurement and Sales to Finance and Legal, to external

parties, such as customers, suppliers, banks, and other trading partners. And, to make matters worse, most of these activities take place offline and involve a lot of paper.

Businesses have spent billions on technology to streamline and automate their internal operations. Yet commerce between companies remains highly inefficient.



Industry analysts estimate that more than 85 percent of all transactions are based on paper invoices and paper check payments and that 80 percent of all commerce transactions are still completed manually. And that's slowing down commerce and costing businesses big money. How much? By some estimates, more than \$650 billion a year in the form of missed sales opportunities, higher operating costs, and slower cash cycles.

So, what makes business commerce so hard? This chapter helps explain.

## Technology Alone Isn't the Answer

With the technology available to improve processes and productivity and the money being spent on it, why is business commerce still so costly and inefficient? Two reasons:

- ✔ To date, business applications have predominantly been designed to automate information and process flows within the four walls of the enterprise. Unfortunately, these internally focused applications are less effective at connecting and streamlining processes where commerce really occurs — *between companies*.
- ✔ Technology alone isn't enough to solve the challenges inherent in global, inter-enterprise commerce. You need to be able to quickly and easily inter-connect with a community of trading partners. And you need to have access to capabilities — in the form of best practice processes and market intelligence — to ensure you're not just doing commerce faster . . . but also smarter.

## Back in the “old” days

Back in the 1980s, when computers first became a significant part of the business world, the focus was on desktop productivity. Each employee had a personal computer on his desktop, running business apps, such as Excel and Word. There wasn't much file-sharing going on back then because networking was difficult and expensive. Most data between users was shared either on paper or by using the infamous “sneaker-net.” (In other words, you put the file on a floppy disk and walked it over to the desk of a coworker!) Productivity was focused on the individual employee.

to see computing as an enterprise-wide tool. In-house client/server networks became the norm, and in-house mail and data servers helped employees share data and collaborate on projects. Virtual private networks (VPNs) allowed employees to dial into company network resources securely while at home or on the road. Productivity focused not only on employees individually but also on functions and, in the best case, on the enterprise itself. However, data sharing *outside* the company was still closely monitored, and many companies chose not to share data at all with the outside world.

The second wave came in the 1990s and 2000s, where companies began

## Embracing Collaboration

The next wave of productivity is all about collaboration and aims to attack the inefficiencies that remain between companies to enable more effective collaboration among trading partners. And it will be fueled by cloud-based platforms that allow companies to share common business processes in areas such as product development and commerce. A *cloud* is an online community, a network-enabled group of computers, people, and companies that communicate and collaborate.



According to the article “Worldwide Software Business Solutions 2010 Top 10 Predictions: The ‘New Normal’ for Enterprise Software” from IDC, a global market intelligence firm, “Cloud infrastructure computing will move squarely into the mainstream as a significant number of Fortune 1000 companies adopt the utility computing model demonstrated

by moving a portion of their “sandbox” apps into production on public clouds.”

So, just what is cloud computing? And can it really transform business commerce? In a word, yes. The reason inter-enterprise commerce is still so difficult is because it is largely driven by closed systems and processes. The key to extending and improving collaborative trading relationships lies in open systems that can be easily accessed regardless of their architecture or delivery model decisions.

Translation: cloud-based solutions. Read more information about the cloud in Chapter 2.

## *Heading Toward a Better Way*

In an environment where budgets are tight and resources constrained, organizations are increasingly moving toward more variable operating models that allow them to balance their internal competencies with external technology, expertise, and infrastructure delivered as a service. They’re looking for solutions that can be dialed up or down as their needs and objectives change. And, of course, they want to reduce their costs.

This is exactly what cloud solutions are designed to do through a combination of the following:

- ✔ **Technology platform:** A common operating environment that all trading partners can quickly and easily connect to, regardless of their architecture or delivery model decisions
- ✔ **Commerce applications:** Technology to manage the entire commerce process end-to-end, delivered as a scalable, cost-effective and burden-free, Web-based service
- ✔ **Community:** A Web-based network through which a critical mass of buyers and sellers can quickly and easily discover one another, connect, and collaborate for better commerce
- ✔ **Capabilities:** On-demand access to expert advice and market intelligence in the form of strategic and tactical

consulting, best practices, knowledge transfer and peer-to-peer sharing

- ✓ **Support:** Training and assistance to drive adoption and results



Just as networking individual desktop computers together was a quantum leap in productivity for individual companies back in the 1990s, networking businesses together in today's market using cloud solutions can be a quantum leap in efficiency and profitability for everyone involved.

Consider the following: A company wants to start manufacturing a new type of product that requires a special polymer that none of its current suppliers can provide. It's time for a vendor search:

- ✓ The Engineering team conducts customer focus groups to determine the requirements for the product and then develops specs
- ✓ The Procurement team does a vendor search
- ✓ Suppliers outline their capabilities and bid on the project
- ✓ The Accounting team sets up the new vendor in the system
- ✓ The IT team makes sure the new vendor has the right software to send invoices and statements electronically
- ✓ The Legal team sets up a contract for the transaction

Those steps mean a lot of time, effort, expense, and, ultimately, delay. Wouldn't it be a lot easier if you could do the following:

- ✓ Engineering could engage customers in an ongoing discussion through an online community and quickly and cost-effectively consult experts in the field of polymers to determine the exact type that's right for the job?
- ✓ Procurement could search for and find potential suppliers through a global network and send out a request for bids to hundreds at once, all over the globe?
- ✓ Suppliers could provide a detailed view into their capabilities online and buyers could review ratings submitted by members of the network?

- ✓ Accounting could set up a new vendor with just a couple of mouse clicks, because the vendor's information was already stored electronically?
- ✓ IT could assume that the new vendor's software systems would integrate seamlessly?
- ✓ Legal could start with a boilerplate contract from a best practices contract library online?



To achieve that kind of efficiency — and the associated cost savings — you need more than just technology and good internal processes. You need access to a global network of trading partners and a living, growing community of commerce and professional expertise where many companies meet to collaborate and cooperate. In short, you need the cloud.



## Chapter 2

# Revolutionizing Commerce through the Cloud

### *In This Chapter*

- ▶ Driving better commerce
- ▶ Leveraging a shared infrastructure
- ▶ Optimizing your trading relationships
- ▶ Accessing capabilities and expertise

**I**f you read Chapter 1, you know that collaborative commerce is the new strategic capability and what will drive the next level of business productivity. But enabling collaborative commerce isn't as simple as plugging in a piece of software. In addition to technology to automate the commerce process, you need a digitally connected community of trading partners to share the process and capabilities — in the form of best practices and intelligence — to perfect the process.

The key to successful inter-enterprise collaboration is a common technology platform that can be easily accessed and shared between trading partners. Because, at its heart, collaboration is all about sharing business processes.



Companies must be able to use this platform to drive an end-to-end commerce process without integrating to other systems, learning new taxonomies, or going anywhere else to get things done. They must also be able to tap a network through which they can rapidly discover, connect, and collaborate with the trading partners that can deliver the greatest value to them. And, they need a community they can leverage to exchange market knowledge and share best practice processes.

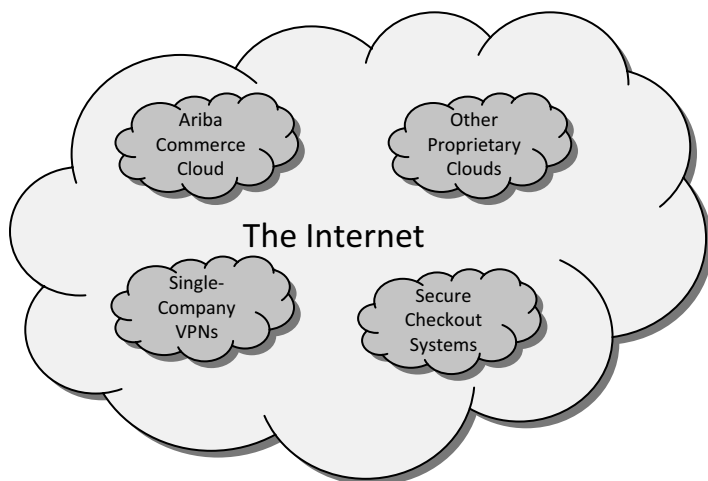
Enter the cloud.

## What's This about a Cloud?

*Cloud computing* is a very hot concept nowadays and for good reason. But what do people mean when they talk about “the cloud?” What makes the cloud so attractive? Its ability to fuel greater collaboration among trading partners through standardized capability delivered over the Web that’s always available from anywhere, is flexibly priced, and scales with your business needs.

### *Internet: The big cloud*

The *Internet* is itself a cloud — the mother of all clouds — enabling open communications all over the world. Within that global Internet cloud are smaller, members-only clouds created by specific companies and for specialized reasons. These smaller clouds are security-enabled, so only authorized users can participate in them and participants can only access the data and processes for which they’re authorized. See Figure 2-1.



**Figure 2-1:** The Internet cloud.

## A little cloud history

Talking about the online world as a cloud started in the early 1990s with object-oriented and component-based architectures. This later morphed into services-oriented architecture, but the core concept remained the same: boil down applications into kernels of core business tasks or objects that, using open standards, could be assembled into business processes. Cloud computing added a nuance to this by having the business process — or processing power — hosted and shared across multiple parties. This provided huge economies of scale because companies didn't have to invest in hardware and software to maintain or people to run it.

There has been a strong trend in recent years in moving operations to the cloud that were formerly handled on individual computers or on in-house network servers. For example, for the last decade, Microsoft Office

installed on individual PCs was the dominant way for business applications to be used, but lately Web-based application suites such as Google Docs, Zoho, and Microsoft Office Web apps have been changing that assumption. Many companies and individuals are finding that it is more efficient to use software online, as a service, rather than to own it.

*Software as a Service* (SaaS) refers to this new model of seeing software not as something you purchase (and then must maintain, update, and manage licensing for yourself), but as something you pay for as needed. Rather than owning a customer relationship management (CRM) or spend management application, for example, a company may buy *access* to one online. Multiple businesses share a pre-packaged application, each with their own separate data storage.

For example, the Ariba Commerce Cloud is a Web-based platform that enables more efficient and effective global commerce between companies. Hundreds of specialty business process clouds are sprinkled all over the Internet — each focused on a different business process and some of them larger and with more members than others.

## The next big thing

The potential uses for online collaboration and communication are staggering and may change the way companies do business. Figure 2-2 illustrates the general trend that the market has been taking, from individual productivity to inter-enterprise productivity.

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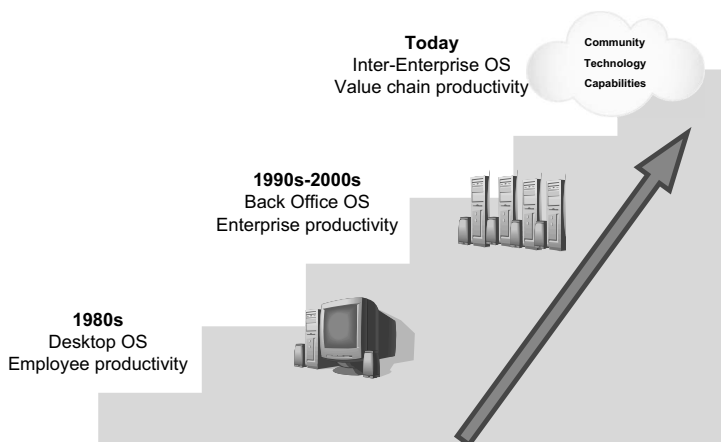
## My company already has ERP — Why do I need the cloud?

Enterprise Resource Planning systems (ERPs) do some things very well, particularly within the four walls of an organization. However, ERPs fall short in several areas:

- ✓ ERPs are software applications only and don't provide trading partner access and capabilities necessary, along with technology, to optimize business processes.
- ✓ Managing the interactions between trading partners is the

next big area for advancements in productivity, and an ERP isn't going to make this happen.

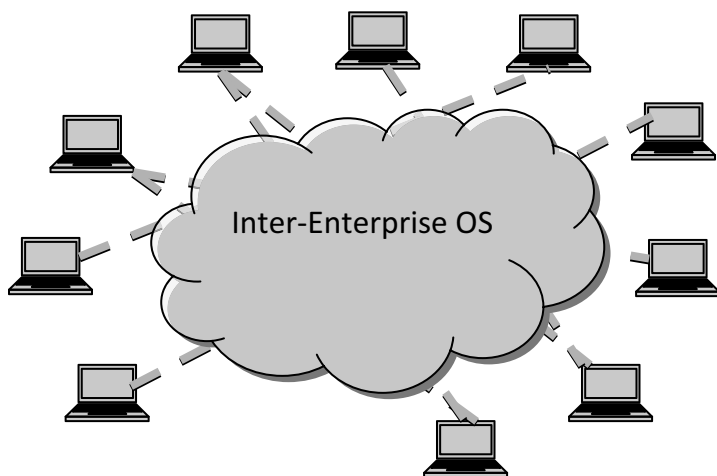
- ✓ ERPs lack critical functionality for some specialized business processes that can only come from a specialist with the experience, capabilities, and expertise necessary to understand and deliver everything needed.



**Figure 2-2:** The movement from individual to inter-enterprise productivity.

## *A Shared Infrastructure*

For a technology-based solution to fuel collaborative commerce, there has to be a shared infrastructure among the trading partners. In other words, there needs to be a consistent, centrally accessible operating environment within the cloud, such as the one in Figure 2-3, and the computer systems of the participant companies need to be able to tie into it.

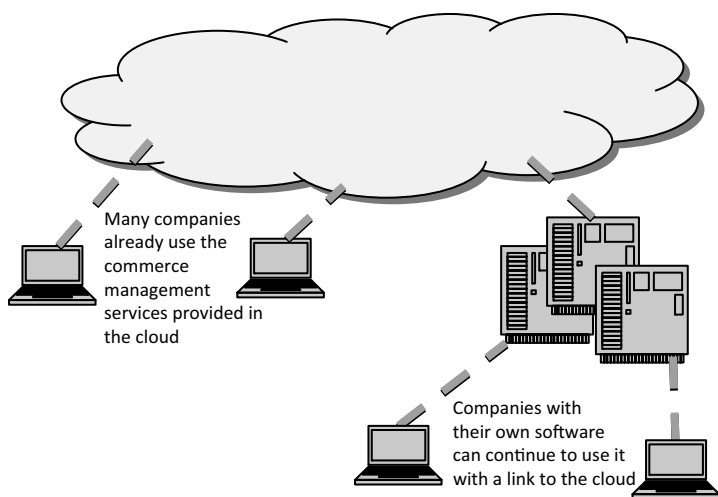


**Figure 2-3:** A shared technology platform makes buying and selling easier.

That fact doesn't mean that everyone is using the same applications. However, the cloud should extend users' existing applications to execute a broader business process. For example, a procurement organization may have an on-premise application that issues approved purchase orders (POs) that taps the cloud to electronically distribute the PO to the appropriate suppliers. The supplier, in turn, may have an on-premise order management system that leverages the cloud to capture orders and issue change orders or Advanced Shipping Notices (ASNs). In essence, the cloud allows these partners to share and collaborate around the business process — in this case, an order — in a more efficient and effective way. The key to a shared infrastructure is to make it flexible, so companies can participate at different levels based on their needs regardless of their internal IT architecture decisions.

True enough, one way to achieve this goal would be for everyone to use the same spend management, finance management, and sales generation software. If everyone is managing commerce in the same cloud environment, using the same brand of software, compatibility isn't a problem. Inquiries, proposals, invoices, and payments all flow seamlessly. However, that kind of universal adoption of a common application isn't going to happen. Many companies have different solutions already in place that they have spent a lot of money for, and you can't ask them to change their software just to participate in the community.

Some companies prefer to manage specific commerce activities on their own, though, so there needs to be a way to get their systems to talk to the others. Fortunately, this isn't a problem. Technical solutions exist that can integrate a company's proprietary back-office systems, such as SAP or Oracle services, into the cloud. A company can just plug in and go! Figure 2-4 shows how different companies can participate by using different means.



**Figure 2-4:** There are different ways of connecting into the cloud.

Companies that don't have any platform at all yet can also plug directly into the cloud environment, by using the intuitive Web-based interface. They can gradually integrate cloud

commerce into their practices, or connect to it only when connectivity with trading partners is needed.

The business processes you're enabling and optimizing with cloud solutions are essential to your company's goals, so make sure that the cloud provider you choose has a track record of delivering solutions to the core business issues you're addressing, cloud or not.

## *Building a Trading Partner Community*

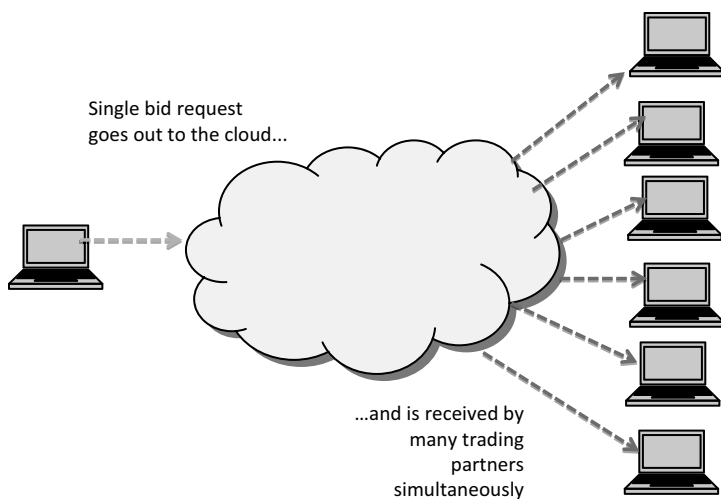
True collaboration means having immediate access to thousands of potential trading partners. And nowhere is it easier to get this access than in the cloud.



Being part of a community lets you network, share best practices, and collaborate with your partners and your peers. This means you can manage and optimize all your trading relationships in one place — delivering greater value and efficiency for you and your partners.

If you're buying in the cloud, you can

- ✓ Easily request competitive bids on a job, as Figure 2-5 illustrates, and receive responses much more quickly than you could using traditional media
- ✓ Save money by cutting operating costs by up to 70 percent, because the vendors you want to deal with are available right there in the cloud, pre-enabled to use the same IT systems you do
- ✓ Browse vendors' online catalogs for the best prices
- ✓ Locate suppliers by specific criteria, such as woman-owned or minority-owned businesses, small businesses, or businesses within a specific geographic region
- ✓ Discover suppliers in remote locations that you would ordinarily not have had access to



**Figure 2-5:** Procurement is easily operated in the cloud.

If you're selling, you can

- ✓ Take advantage of a rich source of potential buyers who are interested in the type of product or service you sell and ready to buy
- ✓ Save money on sales and marketing costs, compared to distributing literature by mail and making in-person sales calls
- ✓ Jump quickly on requests for bids or proposals that other companies distribute — much more quickly than your competitors can who aren't part of the cloud
- ✓ Post catalogs, sales brochures, white papers, discount coupons, and other sales materials for others to easily access when shopping, as illustrated in Figure 2-6
- ✓ Get paid up to 70 percent faster, because the customers' accounting software can talk directly to yours
- ✓ Acquire new customers simply by being part of the cloud, allowing customers to discover you in the natural process of their searches for vendors



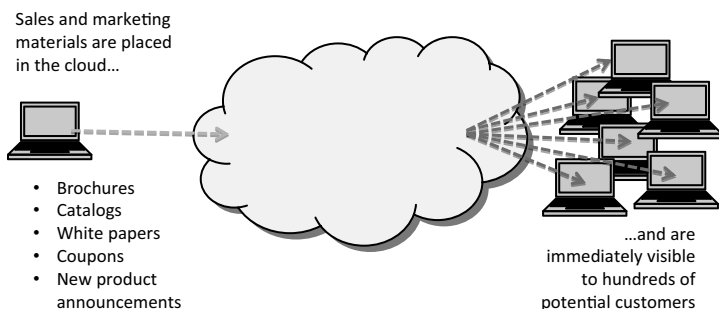
## “If you build it, they will come.”

Remember that great quote from the movie *Field of Dreams*? “If you build it, they will come.”

That’s what has happened, and what continues to happen, with the Ariba Network, the world’s largest online trading community. The shared IT platform is the baseball field, if you will, that Ariba provides for the companies to “play ball.” The participating companies themselves, however, form the trading community that

makes the system so valuable, and makes other teams (companies) want to come play there.

The Ariba Network includes over 300,000 buyers and sellers, enabling more than \$120B of digital purchase and finance transactions annually. Without this cloud-based service, these POs, invoices, and payments would be handled through more costly, inefficient, and, likely, paper-based means.



**Figure 2-6:** The cloud community makes sales efforts more efficient.

## Checking Out the Multitude of Capabilities

Collaborative commerce isn’t just a new way of doing business. It’s a better way. But, it takes more than just technology to make it happen. Implementing software that allows you to execute bad processes more quickly won’t get you to the

next level of productivity — ensuring that your organization is employing best practice business processes in collaborating with its trading partners will, as will having access to market knowledge and expertise you can use to make more informed business decisions.

Multiple capabilities are possible in the cloud. Here's a sampling of what a cloud community offers:

- ✓ Best practices information, including templates, configurations, and workflows, to save time and avoid reinventing the wheel
- ✓ Hundreds of global commerce experts who can help move your business into the international commerce world
- ✓ Strategic and tactical consulting for business expansion and change
- ✓ Market intelligence in hundreds of categories to help rapidly discover, win, and support customers
- ✓ Organizational design and transformation assistance
- ✓ Education and training to help staff make the most of the cloud environment
- ✓ Consulting and support to help bring more trading partners online

The best part? Delivery is flexible, so you can access the capabilities you need on site or remotely via the Web. And you can pump them up or down to accommodate your business needs as they evolve and change.

## Do I have to take everything offered in the cloud?

The flexibility and agility inherent in the cloud mean that you take only what you need, as you need it. Plus, as your needs change, so does what you can get from the cloud. This enables

you to match costs to your needs and build a solution that incorporates the specific technology, community, and capability components that are right for your organization.

## *So What's in it for Me?*

Contrary to popular belief, the cloud isn't a technology-based solution aimed at making life easier only for IT departments. There's something in it for everyone.

### *Procurement*

*Procurement* is the business function of discovering a source of a product or service that you need and placing an order for it. Some companies have huge procurement departments; others have a single person doing all of the procurement, or they allow multiple people in different departments to procure items as needed.

Procurement departments are being asked to continually find cheaper sources of materials, without sacrificing quality or timeliness of delivery. You've probably heard that old saying, "Fast, good, and cheap: Pick any two." But for most procurement professionals, two isn't going to cut it. You need all three to stay competitive. But even when you actually do find a source that delivers all three, you can't rest, because single-source procurement is risky. You need multiple backup sources lined up to breathe easy.

Sharing a technology platform with vendors can mean:

- ✔ You can easily issue requests for proposals or bids electronically, using your own software, and have those be seen by hundreds of potential suppliers who are eager to bid competitively for your purchase. You don't have to send out RFPs to multiple vendors manually to ensure a good-sized pool of competitors.
- ✔ You can see vendors' catalogs online, including any special pricing that you have contracted to receive and ensure that everyone in the company buys only from these vendors.
- ✔ You can place an order using your own procurement software, without having to log in to a vendor's proprietary Web site.

- ✓ You can track the status of many orders from multiple companies using a single standardized interface; you don't have to call or log in to each vendor's site separately.
- ✓ When an order is fulfilled, you can easily notify AP that the invoice should be paid and know that you're paying the price that you and the vendor agreed to.



These benefits can really add up. By switching to an integrated cloud-based model of procurement, companies can expect 2 to 12 percent spend savings. In other words, they possess the ability to find and take advantage of lower-cost, better-value products and services. But even more significantly, companies can expect 30 to 50 percent *process* savings — that is, savings on personnel and operational costs from the increased efficiency of the processes involved in procurement.

## Finance

*Finance* is the part of the process that involves financial receipts, payments, balancing, and budgeting. Finance professionals make sure that the company has sufficient capital to take advantage of good opportunities to grow the business as they become available. Finance may also involve balancing other resources across different initiatives based on which ones will bring the greatest financial return.

Money may be limited, forcing some difficult choices in allocating funds to various internal and external initiatives. Low interest rates in today's markets also make for a lower ROI for the company's capital investments, further decreasing the funds available.

For the Finance part of an organization, sharing a technology platform with vendors can mean

- ✓ A clear view into what's being spent and with whom
- ✓ Reduced operating costs, resulting in more cash available to spend on new ventures
- ✓ Streamlined AP processes at customer sites, yielding faster payments

- ✓ You can send out statements and delinquency notices to cloud-connected customers quickly and easily, using your own software
- ✓ New opportunities for business growth and development can be discovered more readily, with less expense involved in seeking them out

Leveraging cloud solutions can make a significant difference in financial performance. Companies can expect to see 60 percent invoice cost savings, 70 percent cycle time savings, 15 to 75 percent process savings, and 1 to 8 percent spend savings.

## *Treasury and AP*

*Treasury* is the department that handles incoming and stored cash. The treasurer is responsible for the bank accounts and investments that comprise the company's financial assets. This includes paying vendors the amounts they are due in a timely fashion and may also involve payroll processing.

A business's treasury can benefit from sharing a platform with vendors in these ways:

- ✓ Increased visibility of current and upcoming financial receipts means it is easier to plan for required milestones, such as meeting quarter-end or year-end cash requirements.
- ✓ Because all transactions are handled within a central system, fewer payments are lost, misdirected, or inaccurately handled.
- ✓ It becomes easier to receive and process invoices from trading partners in the cloud, resulting in lower operational costs for the department. Paying cloud-enabled vendors can be as simple as authorizing a transfer between bank accounts, with no paper checks needed.
- ✓ Moving assets between sources becomes easier, enhancing the agility and flexibility of the company.

## *Sales and Marketing*

*Sales and Marketing* are often two separate departments in an organization, but both have a common ultimate goal: to drive more sales. Although many companies think about cloud benefits primarily in terms of purchasing and financial management, a cloud environment can also be an ideal place for a Sales department to discover new customers.

Sales and Marketing departments are dealing with a depressed marketplace. The internal costs of making a sale haven't decreased, but the revenue that a sale brings in is less because customers are feeling the economic pinch themselves. In addition, it has become harder to find new customers, and the cost of new customer acquisition has risen. Shrinking profit margins are making it difficult to achieve sales targets.

Having a shared technology platform with active and potential customers can mean:

- ✔ You can easily place your sales and marketing materials in the cloud, including entire product catalogs, making it easier for potential customers to find out what you have to offer.
- ✔ Time-to-market can often be compressed for a product when it is marketed and sold via the cloud, because you can distribute sales and marketing literature online, rather than waiting for it to go to a printer and then waiting for it to be mailed out to customers.
- ✔ After you establish a relationship with a customer, you can set them up for quick ordering capabilities, so they can place orders electronically from any location and at any time, using their own procurement software.

The efficient nature of the cloud environment can mean savings in operational costs for Sales and Marketing staffs, dramatically decreasing the internal costs spent per sales dollar. Companies who move Sales and Marketing into the cloud have experienced 15 to 75 percent time savings and 5 to 32 percent revenue increase.

Besides the operational improvements provided by the shared technology platform, Sales and Marketing also benefit, of course, from the cloud's built-in trading partner community.

## *Information Technology (IT)*

IT departments are asked to implement increasingly sophisticated software platforms — often involving expensive hardware and exorbitant yearly update fees for software — while holding IT costs steady or even reducing them. Individual departments may request or require proprietary systems that need special maintenance and that don't interface well with the company's other systems — or with the systems of customers and vendors that they need to talk to.

IT people are usually among the skeptics when it comes to considering moving to a cloud-based commerce model. Their detail-oriented brains jump immediately to the detail level: How will it work logistically? What about security? Do we have the expertise to make it work with our existing hardware and software?



Ironically, though, it is in the IT area that some of the most significant cost savings are found. When you purchase Software as a Service (SaaS), right away you lose the hassles involved in keeping applications updated and patched, for example. You don't have to worry about servers crashing, or users getting locked out, or any of those techie headaches that keep IT managers up at night. The SaaS provider handles all system support as part of the contract.

It's like that with the cloud environment, too. Doing business in the cloud means less stress on an IT department. When a business signs up to be part of a cloud community with a company like Ariba, they get a complete package, including consultants and technicians who will make sure that the existing systems interface with the cloud and that the in-house IT staff are trained to handle anything that comes up.

Not all IT organizations necessarily want to move everything into the cloud, and that's okay, too. Some organizations, whether for security, regulatory, or religious reasons, will

elect to keep and manage their business applications on-premise. These organizations can still benefit from cloud participation, whether through more efficient trading partner connectivity or by extending their business processes and applications to their trading partners — or both!

Would you — and your business — benefit from plugging into the cloud? Check out Chapter 3, where you find checklists and quizzes that can help you make that decision.



## Chapter 3

# Assessing Your Company's Commerce Quotient

### *In This Chapter*

- ▶ Evaluating commerce visibility and IT effectiveness
- ▶ Examining commerce practices
- ▶ Preparing for the what-ifs
- ▶ Evaluating customer and supplier discovery
- ▶ Looking for expert help

**T**his chapter provides a series of quizzes and checklists that you can use to determine where your pain points are when it comes to business commerce. Maybe your current systems are working just fine, and you don't *need* a whole new way of doing commerce, or maybe you just need a tune-up of some basically solid processes already in place. You won't know until you do an assessment.



These quizzes aren't meant to be the last word, of course. If it seems like your business may need help in certain areas, your next step would be to discuss it with the company's executive team to confirm what you're thinking, not to "go rogue" on a radical change. (But you knew that already, because you're a rational, prudent kind of person, right?)

The quizzes help you gauge your company in terms of the following success criteria:

- ✓ Process visibility
- ✓ IT costs and effectiveness
- ✓ Process bottlenecks

- ✓ Organizational agility
- ✓ Ability to find suppliers
- ✓ Ability to acquire new customers
- ✓ Ready availability of expertise

## Evaluating Commerce Visibility

*Visibility*, in a business commerce context, means the ability to see what’s happening within your company financially. But times exist where you can’t see all that is going on, and what you can’t see can hurt you. This section helps you evaluate your organization’s current visibility level.

Do your top executives know where the money is going? Whether departments are sticking to their budgets? Whether there is unchecked overspending? Do the people who are in charge of contract compliance have a way of finding out whether contract terms are being adhered to?

Visibility can also include your relationships with your commerce partners. When one of your trading partners is waiting for payment from you, is there an easy way for them to find out the status, without burdening your AP staff with endless inquiries?

For each of the statements in the table, circle one answer:

- 0 = Never, or very seldom
- 1 = Occasionally/sometimes
- 2 = Regularly, but with some gaps
- 3 = Always or nearly always

A central financial software system ties together the data from the various departments (AR, AP, procurement, contracts, and so on).	0	1	2	3
Top executives have 24/7 access to electronic systems that can generate financial reports across all departments and branches.	0	1	2	3

Clear, easily understood reports that summarize the company's commerce activities are regularly distributed to top management.	0	1	2	3
Purchase orders (POs) are used for all purchases above a certain threshold amount.	0	1	2	3
Large purchase orders are approved by people who are well aware of the company's goals and priorities, and who have a vested interest in containing costs.	0	1	2	3
POs are stored electronically in a centrally accessible location and format, so that they can be easily referenced at any time.	0	1	2	3
There are measures in place that prevent any one individual or department from grossly overspending on a purchase.	0	1	2	3
Contracts and AP invoices are matched up to make sure that the invoices reflect the contracted terms.	0	1	2	3
Contracts and purchase orders are matched up to make sure that items being purchased are bought at the contracted terms.	0	1	2	3
Historical data is collected and analyzed about supplier performance and is considered when procuring.	0	1	2	3
When special payment terms or agreements are established with suppliers, that information is well-documented and readily accessible to AP.	0	1	2	3
Suppliers waiting for payment have an easy way of contacting your AP department to check a status, without placing a large time burden on AP employees.	0	1	2	3
<b>TOTAL:</b> The sum of the numbers you circled				

Here are the results:

- ✓ **31 to 36:** Your company's visibility is very good. In most cases, the right people have access to the right data to make smart business decisions on a consistent basis.

- ✓ **25 to 30:** Your company's visibility is good, but you have some areas for improvement. Take a look at the questions that you answered 0 or 1 for to check whether any of them are causing problems or wasting money.
- ✓ **18 to 24:** Your company's visibility is fair but could use some significant improvement. It may be time to look at making a change to a commerce management solution that will give decision-makers and process implementers access to more information.
- ✓ **0 to 17:** Your company's visibility is poor and, as a result, you may be losing a significant amount of money to cost overruns, lack of oversight, and lack of financial information in the hands of decision makers.

## Evaluating IT Effectiveness

The IT systems a company chooses can make a tremendous difference in the cost and effectiveness of its commerce. Go through this checklist of qualities of a strong IT support system, and see how your company measures up.

<i>Check</i>	<i>My Company . . .</i>
<input type="checkbox"/>	Handles all commerce activities using computer systems — there's no paper shuffling involved in buying or selling
<input type="checkbox"/>	Uses a consistent, enterprise-wide computer system for all financial data, so that employees in every department can share information seamlessly
<input type="checkbox"/>	Has carefully investigated costs of owning and maintaining our own hardware versus using a Web-based service (SaaS) and has chosen the model that fits best
<input type="checkbox"/>	Maintains an adequate number of IT staff to handle the IT help desk workload, including troubleshooting, training, and installing
<input type="checkbox"/>	If using in-house IT, does so for a price that's less than it would cost to contract out those functions
<input type="checkbox"/>	Employs the right technical experts who can keep abreast of the latest changes in IT and recommend updates



Ideally, you should've marked *all* of the checkboxes. An IT department that effectively supports commerce should provide a comprehensive business software solution across every part of the commerce process. Whether that solution is delivered via in-house hardware and software or an online SaaS, that decision should be made carefully. And the department should have both the right *number* of staff and the right *type* of staff to supply the information and expertise that the company's top management needs on IT matters.

## Finding the Pain Points

This quiz invites you to look at your commerce practices and to explore where the bottlenecks and inefficiencies may be. Is something getting in the way of quick and efficient buying and selling? Is a cash crunch holding you back from opportunities? Go ahead — find out.

For each of the statements in the table, circle one answer:

0 = Very rarely, or never

1 = Occasionally

2 = Frequently

3 = Nearly always

It takes a long time to locate a good source of a material or service we need to buy.	0	1	2	3
We don't have access to a large pool of suppliers, so we have to go with the ones we know of, even though they probably don't have the best prices.	0	1	2	3
Choosing a new supplier is often a crapshoot; there are no references available, so we don't know how dependable they will be or what their reputation is.	0	1	2	3
We have only one supplier for certain key items we purchase; if they go out of business, we are in big trouble.	0	1	2	3

Multiple employees make contact with a supplier and don't always keep good notes on it, so we are not sure what was agreed on and confusion arises.	0	1	2	3
There's no check-in place to prevent rogue spending, so individuals and departments tend to overspend.	0	1	2	3
Matching up contracts with purchase orders and invoices is a laborious process and doesn't always get done.	0	1	2	3
Employees often find themselves "reinventing the wheel" because best practices information is not available.	0	1	2	3
Different departments don't know what the others are buying, or from whom, so bulk discount purchasing is not happening.	0	1	2	3
Payments to suppliers slip through the cracks, and the supplier has to contact AP to remind them payment is due.	0	1	2	3
Sales spends a lot of time and money finding new customers, to the point where it cuts significantly into profits.	0	1	2	3
The terms that Sales agrees on with customers are not communicated to those who will handle fulfillment, so customers do not receive what they paid for.	0	1	2	3
AR doesn't send out invoices promptly to customers, resulting in delay in getting paid.	0	1	2	3
AR doesn't keep on top of customers who are late in paying and doesn't enforce late penalties.	0	1	2	3
There isn't enough cash on hand to take advantage of new business opportunities.	0	1	2	3
Our banking relationships are the result of inertia, rather than confidence that we are getting the best deal.	0	1	2	3
Our computer systems are often offline due to technical problems.	0	1	2	3
IT spends a lot of money on hardware and software upgrades, just to stay current.	0	1	2	3
<b>TOTAL:</b> The sum of the numbers you circled				

Here are the results:

- ✓ **0 to 27:** Your company's commerce seems to be running smoothly, with few problems. Look for ways to fine-tune your processes, but a major overhaul isn't necessary.
- ✓ **28 to 41:** Your company may have some significant problems in its commerce management, and these are preventing the business from being as profitable as it could be. Your company is a great candidate for a business commerce overhaul.
- ✓ **42 to 54:** Your company has some serious operational problems that need to be addressed right away. Revising the way you handle commerce isn't just an option; it's a necessity, and soon.

## *Assessing Agility*

*Agility*, in a commerce context, is the ability to change quickly to meet market demands and opportunities. To survive in this uncertain marketplace, a company has to be able to react quickly as the markets change. That means being able to

- ✓ Take the product or service where the new customers are at any given time
- ✓ Find new low-cost sources of materials who can deliver on tight schedules
- ✓ Move cash and other assets between business units to capitalize on new opportunities for growth
- ✓ Identify and establish relationships with the best suppliers in emerging markets, down the street, or around the world

How good is your company at these things? For each of the following statements, evaluate your company's ability to answer the challenge. Are you ready to go? If not, what would be required? What's standing in the way of your company's agility?

<i>Scenario</i>	<i>How Agile Are You?</i>
Your largest customer has gone out of business, leaving you with a warehouse full of unsold, time-sensitive product. You need to quickly find another customer who wants it and negotiate the best price for it.	
Your largest supplier has gone out of business, and you have to quickly find another source of materials to complete a time-sensitive job.	
The market for your product has suddenly and drastically decreased. You need to quickly scale back production to avoid a financial crisis.	
A new customer wants to buy a large quantity of your product or service, such that you would need to double your output capacity.	
A large customer wants to buy something from you that is radically different from what you currently sell but could potentially be very profitable.	
A competitor is struggling financially and seems ripe for acquisition. It will require a significant outlay of cash to acquire them.	

## Evaluating Supplier and Customer Discovery



Every industry has its own best practices for acquiring new customers. The important thing isn't *how* you acquire customers and suppliers but *how well* you do so. The following quiz helps you assess your effectiveness in those areas.



For each statement, circle Yes or No.

<b><i>Customer Discovery</i></b>		
Our sales staff works to acquire new customers in many ways; if one method doesn't work, we have alternatives.	Yes	No
We have access to a global community of potential customers, and ways of easily reaching them.	Yes	No
We provide multiple ways for potential customers to proactively discover and contact us with questions.	Yes	No
<b><i>Supplier Discovery</i></b>		
Our procurement staff has many different ways of discovering new suppliers.	Yes	No
We have plenty of potential suppliers for the goods and services we need to buy.	Yes	No
Accurate and up-to-date evaluations of potential suppliers are consistently available, including credit references and delivery history.	Yes	No
It's easy to search for new suppliers using criteria such as geographic location, women-owned or minority-owned status, payment terms, and other criteria.	Yes	No

Each Yes indicates an area in which your company is doing well. Does it seem like you had more Yes answers in one section than another? If so, that's something to consider as you analyze your commerce practices for possible improvements.

## ***Finding Experts***

To paraphrase Albert Einstein, you don't need to know everything, as long as you know how to find everything when you need it. A final component to a company's commerce health is its ability to quickly locate, hire, and benefit from outside expertise.

<i>Check</i>	<i>Does Your Company . . .</i>
<input type="checkbox"/>	Have a centrally accessible database of proven experts to consult in various subject areas?
<input type="checkbox"/>	Share knowledge freely between departments and branches about the consultants used and their performance?
<input type="checkbox"/>	Have established procedures for finding experts in new areas as needed?
<input type="checkbox"/>	Regularly budget for expert consultants to be included in new initiative planning as needed?
<input type="checkbox"/>	Use consultants with a national or global perspective when appropriate?
<input type="checkbox"/>	Have access to up-to-date information about the prevailing rates for consultants in various areas, to avoid overpaying?

How many checkboxes did you mark? The more boxes marked, the more robust and useful your current systems are for discovering and utilizing outside consultants.

## Chapter 4

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# Ten Ways to Improve Your Business

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### *In This Chapter*

- ▶ Making your internal processes more efficient
  - ▶ Improving cash flow
  - ▶ Enhancing trading relationships
  - ▶ Finding new business
  - ▶ Reducing costs
- .....

**A**ll *For Dummies* books, this one included, close with one or more chapters devoted to ten important items. How can collaborative commerce improve your business? Simple: Better collaboration. Great productivity. More intelligent business decisions. In this chapter, I outline ten ways collaborative commerce in the cloud can help improve your performance and the results that you deliver.

## *Eliminate Paper Processes*

Think about all the wasted pieces of paper you manage in the course of business. Faxes, paper contracts, copies of purchase orders, timesheets, invoices, statements . . . the list goes on and on. Not only is this practice not environmentally friendly, but also it's a huge waste of time. Think about all the wasted man-hours that have been spent printing pieces of paper that went immediately into your trash can. Worse yet, in the "digital age" companies have entire departments

dedicated to taking these printed materials generated from one of your trading partner's systems and rekeying them into yet another business application. Now multiply that by the number of managers in your company, and you have some idea of the expense I'm talking about here. Paper processes erode a company's profitability.

By moving your business commerce processes to the cloud, you can digitize the work and make it as easy as those used to drive personal commerce. Instead of mailing an order to a vendor, you can just fill out an online form and click Send. Instead of receiving and processing paper invoices, just click a button to authorize payments. It's stunningly simple to the point where you may wonder why people struggled for so long with paper before.

But it doesn't stop with accounting functions — the paperless office concept extends to other areas of commerce, as well, such as bidding, contracting, procurement, and status inquiries.

## *See Processes More Clearly*

The larger an organization gets, the more difficult it becomes to monitor individual transactions and processes. That means it becomes increasingly likely that potential cost savings may be overlooked. In addition, identifying and stopping spending that's not in line with budgeted and/or contracted terms also becomes more difficult.



The more you can centralize and consolidate the record keeping on the organization's spending, the easier running the reports can be. These reports help you see where your money is going. When you do most of your buying and selling by using a centralized system, such as those delivered in the cloud, you have less labor-intensive processes to do the kind of monitoring that needs to be done. You get a clear view of the activities and collaborations involved in the source-to-settle and order-to-cash processes across the entire value chain.

## *Control and Optimize Commercial Relationships*

Many organizations deal with hundreds and even thousands of suppliers and vendors, sometimes from multiple branch offices and facilities, and often with many different contact people. Keeping all that information straight can be a challenge, but consequences of *not* keeping it straight produce waste and inefficiency.

For example, suppose your company has six branch offices, and each of them orders office supplies separately but from the same vendor. Every month, Accounts Payable has to write six separate checks to that same vendor because the common commercial relationship with that vendor hasn't been identified and centralized. You may even be eligible for a larger discount for high-volume purchasing, if the ordering was processed together.



Centralizing the management of commercial relationships in the cloud can make finding such inefficiencies easier and help you control and optimize business relationships, whether you're buying sheet metal or office supplies.

## *Improve Cash Flow Management*

One of the biggest challenges in cash flow management is unpredictability. The other is time. When will a large customer settle what they owe? When will Sales bring in a large new account — and how quickly can that account get set up and generating revenue? And, which invoices haven't yet arrived via mail, and what impact do they have on the cash flow?

There's no magic formula for making everything run like clockwork, of course, but moving transactions that affect cash flow into an electronic environment like the cloud tends to have a stabilizing influence on them. When customers can pay you easily electronically, they pay faster and more regularly, and payments have a reduced chance of being lost, misdirected,

or misplaced. When your suppliers issue your invoices electronically, they can be reconciled automatically against the purchase order, contract, and/or receipt notice, which lets you know immediately if the bill is okay to pay. This efficiency and visibility allows you to make informed decisions about when to pay (or when you get paid) and how to settle, enabling you to intelligently manage your working capital.

Having access to an online community of trading partners also helps you discover new sources of both long-term and short-term financing to even out any cash flow difficulties that may be standing in the way of advancing the business.

## *Gain Access to New Potential Customers*

Participating in an online community puts you “in the game” to be seen by potential customers who may otherwise not be aware of your business. Just as you use the cloud to search for the best vendors that sell what you need, so do others use the cloud to find you.

The cloud can also be an effective way to provide information and marketing materials to potential customers. By making your catalog and brochures available online — easily clickable from the vendor database — you can answer potential customers’ questions and concerns 24/7, without the need for a live person to be available.



Services like Ariba Discovery help potential customers find you by serving as a matchmaker service between potential buyers and sellers. By participating in a service like this, you open yourself up to sales leads that cost much less to discover and follow up on than traditional sales calls.

## *Accelerate Procure-to-Pay*

When a department in your organization requests a purchase, it needs the item *now*. The order is placed because of a real business need, and the *business* suffers — not just the individuals — each day that employees don’t have what they

need to do their job. When it comes to procurement, time is money. The faster you can move through the procure-to-pay cycle, the more efficiently the company runs.



By establishing online relationships with existing and potential suppliers, you can accelerate the entire procurement process, from source discovery to payment. You can search an online database of pre-qualified sources, negotiate the best deals, order materials, and pay for them, all from one easy-to-use, integrated Web interface. Bottom line: That means your departments get their goods faster, and bottlenecks don't develop in your product development or service delivery.

## *Learn Best Practices*

One of the advantages of participating in an online community is that you can learn from others and their mistakes, finding out how they've successfully accomplished what you want to do — without having to make expensive mistakes yourself.

Much like Facebook, LinkedIn, and other social networking technologies, cloud communities allow buyers to seek help from their peers on such processes as structuring a Request for Proposal (RFP). And sellers may solicit input on alternative forms of financing from other sellers who've used them before.

Take Ariba Exchange, for example. An open forum operated by Ariba and a core component of the Ariba Commerce Cloud, Ariba Exchange enables buyers, sellers, and other partners to engage in targeted conversations with others who share their goals and understand the challenges they face. They can also share best practices and guide future features and capabilities they want to see built into the cloud.

## *Enhance Skills and Capabilities*

Your business has experts on staff in a variety of areas. But that doesn't necessarily mean that you always have the expertise you need for every project. Having on-demand access to a community of experts helps your business by giving it the flexibility to say Yes to new opportunities that come up,

even if you don't currently have the expertise on staff to make them happen. You can be confident that the company is able to ramp up quickly to meet new challenges.

Sometimes you only need a little help, but other times, you need a lot. Sometimes you need knowledge or resources, and on occasion, you need both. The beauty of the cloud is that you can get the help you need when you need it — with everything from organizational transformation and strategy development to trading partner enablement.

## *Reduce Bottom-Line Costs*

Being part of an active online buyer and seller community that shares a common IT platform can dramatically lower the costs of inter-enterprise commerce. These cost savings come in a number of forms:

- ✓ Lower overhead
- ✓ More competition
- ✓ Better prices
- ✓ Quicker transaction settlement
- ✓ Faster delivery of goods and services

## *Decrease IT Expense and Burdens*

IT can seem like a big black hole sometimes, sucking in more and more money for new hardware and software that's going to be obsolete in two to three years. But you can't just cut your IT department budget across the board, or everything goes to h-e-double-hockey-sticks.

What you can do, though, is move some of the IT burden off-site. By moving some of your company's business processes into the cloud, you can dramatically reduce the in-house need for hardware troubleshooting, patching, upgrading, and support. You also don't have to worry about server outages, expensive software upgrades, or user support. And perhaps



most importantly, this process eliminates one of your biggest integration challenges — I'm not talking about connecting the handful of ERP systems you have in your back office. I'm talking about connecting to the 700 (or 7,000) trading partners that your company relies on.

If you read Chapter 2, you discovered that the cloud allows companies to purchase subscriptions to software, which is then accessed via a Web interface instead of purchasing software outright. It's kind of like leasing versus buying an apartment. When someone else owns it, they have to do the maintenance and upkeep on it — not you.



Contracting out software capabilities for managing your business also means that your IT costs are much more predictable, your total cost of ownership much lower, and your time to value much faster. Just pay the monthly contract fee, and problems you may encounter can be solved at (usually) no additional charge. But this doesn't mean you need to abandon on-premise applications that you may have in place. Installed apps plus cloud solutions equal better commerce.



# Run your business more efficiently, effectively, and at a lower cost

How's your business's commerce health? Need some improving? Businesses must tap flexible solutions that enable them to access the resources they need as they need them to collaborate more efficiently and effectively with their trading partners. This little book helps you assess your business commerce health and then introduces a new approach to making things better.

- ***Sell your products or services more efficiently — increase leads, improve win rates, and lower customer support costs***
- ***Buy goods and services more effectively — negotiate best-value agreements to get the most return from every penny at the lowest possible risk***
- ***Manage cash more strategically — streamline and improve invoicing and payment, and optimize working capital***
- ***Assess your business's current commerce state — check out the quizzes and checklists in this book***

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## Open the book and find:

- **Ways to gauge your company's progress**
- **Answers to your questions about business commerce**
- **The benefits of collaborative commerce**
- **Helpful examples from Ariba**

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ISBN: 978-0-470-88891-9  
Not for resale